

Message Text

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ORIGIN EB-11

INFO OCT-01 EUR-25 IO-14 ISO-00 SAB-01 USIE-00 FEA-02

AGR-20 CEA-02 CIAE-00 COME-00 DODE-00 FRB-02 H-03

INR-10 INT-08 L-03 LAB-06 NSAE-00 NSC-07 PA-04 RSC-01

AID-20 CIEP-02 SS-20 STR-08 TAR-02 TRSE-00 PRS-01

SP-03 OMB-01 SWF-02 INRE-00 SSO-00 NSCE-00 /179 R

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TREASURY:W.BARREDA

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FM SECSTATE WASHDC

TO USMISSION GENEVA IMMEDIATE

INFO AMEMBASSY ROME

AMEMBASSY BONN

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AMEMBASSY COPENHAGEN

AMEMBASSY DUBLIN

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E.O. 11652:N/A

TAGS:ETRD, GATT, IT

SUBJECT:GATT WORKING PARTY ON ITALIAN IMPORT MEASURES

REF: GENEVA 3193, STATE 90784, STATE 93065

1. WE AGREE WITH MISSION THAT IT IS DESIRABLE FOR WORKING PARTY TO STRESS GATT CONCERN WITH ITALIAN IMPORT DEPOSIT MEASURES EVEN THOUGH WORKING PARTY CONSIDERATION LIMITED BY LACK OF IMF REPORT AND LACK OF ITALIAN WRITTEN JUSTIFICATION GENERAL GUIDANCE ON US ATTITUDE REMAINS AS STATED IN POSITIONS FOR INITIAL GATT COUNCIL MEETING (STATE 90784) AND FOR OECD HEADS OF DELEGATIONS MEETING (STATE 93065) -- NAMELY, US UNDERSTANDS ITALY'S ECONOMIC DIFFICULTIES AND NEED TO CURB DOMESTIC CREDIT EXPANSION BUT CONTINUES TO REGRET ACTION WAS TAKEN UNILATERALLY TO RESTRICT IMPORTS.

2. US REP SHOULD CONTINUE TO PRESS FOR ITALIAN WRITTEN EXPLANATION OR JUSTIFICATION TO PROVIDE BASIS FOR WORKING PARTY DETAILED CONSIDERATION OF MEASURES.

3. AS APPROPRIATE, HE MAY RAISE FOLLOWING POINTS OR QUESTIONS REFLECTING US SPECIFIC CONCERNS.

A. WELCOME ITALIAN STATEMENTS THAT MEASURES ARE TEMPORARY. URGE MEASURES BE REMOVED AS QUICKLY AS POSSIBLE OR BE MODIFIED TO LESSEN DIRECT IMPACT ON IMPORTS AS ITALY'S ECONOMIC SITUATION IMPROVES. IN THIS CONNECTION:

(1) CAN ITALY GIVE ANY INFORMATION ON EFFECT IMPORT DEPOSIT SYSTEM HAS HAD IN LIMITING DOMESTIC LIQUIDITY? ON ITS IMPORTS? ON ITS PAYMENTS BALANCE?

(2) CAN IT ASSESS EFFECT OF ANTI-INFLATIONARY MEASURES ITALIAN REP MENTIONED IN GATT COUNCIL -- 1974 INCOME TAX WITHHOLDING ON INCOME EARNED IN 1975, INCREASE IN DISCOUNT RATE, AND LIMITS ON GROWTH OF BANK CREDITS? WOULD IT NOT BE PROPER TO TAKE ADDITIONAL MEASURES TO REDUCE EXCESS INTERNAL DEMAND IN ORDER TO PERMIT REMOVAL OF PRIOR IMPORT DEPOSIT?

(3) CAN ITALY GIVE ANY COMMITMENT OR IDEA WHEN MEASURES WILL BE REMOVED? ICELAND, FOR EXAMPLE, SET LIMITED OFFICIAL USE

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AN INITIAL SIX-MONTH TARGET FOR REMOVAL.

(4) DOES ITALY HAVE ANY PLANS FOR LESSENING IMPACT OF MEASURES? DOES IT ANTICIPATE REMOVING SOME PRODUCTS FROM LIST OF ITEMS SUBJECT TO DEPOSIT SYSTEM? IF SO, WHAT CRITERIA WILL IT FOLLOW-- E.G. REMOVAL OF PRODUCTS PARTICULARLY NEEDED BY ITALIAN PRODUCERS?

(5) IF EARLY COMPLETE REMOVAL OF MEASURES IS NOT FOUND POSSIBLE, DOES ITALY CONTEMPLATE GRADUAL PHASE OUT AS OTHER COUNTRIES HAVE DONE? IN SIMILAR CIRCUMSTANCES, OTHER COUNTRIES HAVE REDUCED BY STAGES THE AMOUNT OF THE DEPOSIT.

B. US URGES FLEXIBILITY IN ADMINISTRATION OF REGULATIONS IN CASES WHERE THERE IS SPECIAL HARDSHIP. IN PARTICULAR, WE URGE SUCH FLEXIBILITY IN DEALING WITH GOODS WHICH WERE IN TRANSIT WHEN MEASURES WERE INITIATED.

C. US REP SHOULD REQUEST CONFIRMATION THAT REPORTED EXEMPTION FOR AGRICULTURAL COMMODITIES WILL NOT BE DISCRIMINATORY VIS-A-VIS THIRD COUNTRIES. HE SHOULD MAKE CLEAR THAT US WOULD OPPOSE DISCRIMINATORY APPLICATION OR REMOVAL OF ITALIAN MEASURES AND WOULD REAPPRAISE ITS OVERALL POSITION REGARDING THESE MEASURES IF DISCRIMINATION IS INVOLVED.

4. US REP SHOULD SUGGEST OR SUPPORT A SUGGESTION THAT WORKING PARTY BE RECONVENED WHEN MEMBERS HAVE HAD AN OPPORTUNITY TO CONSIDER RESULTS OF IMF CONSULTATIONS WITH ITALY.

5. IN VIEW OF GATT INABILITY TO ESTABLISH PRECEDENT FOR APPLICABILITY OF GATT ARTICLES II OR XI WHEN UK INSTITUTED A SIMILAR MEASURE IN 1968, IT APPEARS THAT EFFORT TO ESTABLISH LEGALITY OR ILLEGALITY OF ITALIAN MEASURES WOULD

SERVE NO USEFUL PURPOSE AT THIS TIME. ACCORDINGLY, US SHOULD NOT INITIATE SUCH A DISCUSSION. IF OTHERS DO, HOWEVER, US REP SHOULD TAKE SAME POSITION AS IN UK CASE -- THAT IS, US CONSIDERS IMPORT DEPOSITS ARE "OTHER MEASURES" LIMITED OFFICIAL USE

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APPLIED INCONSISTENTLY WITH ARTICLE XI UNLESS BALANCE OF PAYMENTS EXCEPTION IN ARTICLE XII IS INVOKED. KISSINGER

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Message Attributes

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